

VYSOKÁ ŠKOLA BÁŇSKÁ – TECHNICKÁ UNIVERZITA OSTRAVA
EKONOMICKÁ FAKULTA

BAKALÁŘSKÁ PRÁCE

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Evaluation of online store design and promotion strategies
Vyhodnocení návrhu elektronického obchodu a užitých propagačních
strategií

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Prohlašuji, že jsem celou práci, včetně všech příloh, vypracoval samostatně.

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TABLE OF CONTENTS

1	INTRODUCTION	5
1.1	OBJECTIVES	6
2	LITERATURE REVIEW	7
2.1	E-COMMERCE..... ERROR! BOOKMARK NOT DEFINED.	
2.2	DIGITAL MARKETING	8
2.3	ONLINE STORE DESIGN	10
2.3.1	<i>Store design</i>	10
2.3.2	<i>Website design</i>	11
2.4	PERFORMANCE INDICATORS.....	12
2.4.1	<i>Leading performance indicators</i>	13
2.4.2	<i>Lagging performance indicators</i>	13
2.5	MARKETING-LED SITE DESIGN	14
2.6	WEBSITE DESIGN STRATEGIES	15
2.6.1	<i>Customer conversion rate</i>	16
2.6.2	<i>Proposed approach for better conversion rate</i>	16
2.6.3	<i>First stage – Visitor greeting</i>	18
2.6.4	<i>Second stage – Catalogue stage</i>	18
2.6.5	<i>Third stage – Shopping cart stage</i>	19
2.6.6	<i>Fourth stage – Checkout stage</i>	19
2.6.7	<i>Customer retention rate</i>	20
2.6.8	<i>Proposed approach for better customer retention</i>	20
2.7	CONCLUSION.....	22
2.7.1	<i>Hypotheses</i>	23
3	METHODOLOGY	24
3.1	RESEARCH FRAMEWORK	24
3.2	RESEARCH PHILOSOPHY	25
	<i>Figure 3.2</i>	26

3.3	RESEARCH APPROACH.....	27
3.4	RESEARCH STRATEGY	27
3.4.1	<i>Quantitative research</i>	27
3.4.2	<i>Qualitative research</i>	28
3.5	RESEARCH METHOD	28
3.6	POPULATION	29
3.7	QUESTIONNAIRE DISTRIBUTION.....	30
3.8	QUESTIONNAIRE DESIGN	30
3.8.1	<i>Pilot study</i>	32
3.9	RESEARCH LIMITATIONS	33
4	RESEARCH FINDINGS	34
4.1	RESPONDENT PROFILE	34
4.2	PERCEIVED INFLUENCE OF FOUR FLOW STAGES DESIGN ON CUSTOMER CONVERSION... 37	
4.3	PERCEIVED INFLUENCE OF WEBSITE USABILITY ON CUSTOMER RETENTION AND QUALITY OF THE ONLINE RELATIONSHIP	40
4.4	ANALYSIS OF HYPOTHESES	42
5	CONCLUSION	53
	REFERENCE LIST	58
	LIST OF CHARTS.....	ERROR! BOOKMARK NOT DEFINED.
	LIST OF FIGURES	ERROR! BOOKMARK NOT DEFINED.
	APPENDICIES.....	1

1 INTRODUCTION

There is now an unprecedented and ever-increasing number of people using internet as a medium for many activities in their everyday lives. This fact has led the rise of many new online based businesses and most traditional industries also feel an ever-growing pressure to establish an online presence. The impact the digital and informational revolution has had on the whole world is hard to overstate. Impact of this has been felt especially strongly by the economic sector.

The rapid increase in communications channels means that it is much easier to communicate with your audience now than it was ever before in history, as this audience includes potential customers, online exposure is becoming more and more costly and the need to get as much from the money paid for it as possible is evident. With this increasing pressure there is a need that the channels used for selling products or services are as effective in getting as much value from each visitor as possible.

Among these channels, websites are one of the most versatile, as they allow for nigh unlimited customization possibilities. It is imperative however, that website design is carefully planned-out and not just done ad-hoc depending only on the whim of the designer. To simplify this process many website design strategies have been invented and tested over the years. The issue with this is that it is often fairly hard to navigate through the myriad of all these strategies and approaches.

The aim of this dissertation is to explore some of these possible approaches and strategies, evaluate them based on previous research and test if this research still holds true even today. The main focus will be the solutions to challenges faced by online stores and from these specifically the strategies and approaches concerned with customer conversion rate and customer retention rate.

The report will be divided into 5 separate chapters. The first one being introduction, where the studied subject will be briefly introduced, and the basic objectives of the work will be stated. In the second chapter already published literature on the subject will be reviewed and where our secondary data collection will take place, from which we will form our hypotheses regarding the studied approaches. The third chapter includes analysis of the various primary data research theory, statement on which one will be used in this work, its justification and

design description. In the fourth chapter the collected primary data will be analysed and used to test our hypotheses. Lastly, the fifth and final chapter will conclude the dissertation, summarize our findings and give recommendations based on our findings.

1.1 Objectives

Explore what are the main challenges when designing an online store

Online environment presents many well-known as well as new challenges for online vendors. As such it will help our research to identify these so we can look for potential solutions.

Explore what are the factors that indicate a commercially successful website

It is not always crystal clear if the website performs well or not. Considering this we will explore the ways of measuring website performance, so that we can use them to evaluate potential strategies and approaches in the future.

Explore strategies that can improve website performance

As it is not always easy to orient oneself among the large quantity of proposed strategies and approaches a thorough research of the topic is needed. This work will summarize some of what has been proposed and look in depth to some proposed approaches.

Test if previously proposed strategies for increasing the website performance still work today

As the online environment moves and changes at an unprecedented speed any previously proposed strategy or approach for designing a website can be made obsolete in a very short time. This is why this research will test if previously proposed website design approaches can be confirmed even in today's environment.

2 LITERATURE REVIEW

This chapter will focus on the theory regarding e-commerce, digital marketing and the role of website design in it. It will further explore the website design itself and explains the evaluation method of the effectiveness of website designs by introducing key performance indicators, with focus on those used in marketing-led website design. The chapter further focused on two of these conversion rate and customer retention rate. It will finish by exploring two possible design approaches each focused on respective performance indicator. The four flow design stages for customer conversion and website usability for customer retention.

2.1 E-commerce

E-commerce offers a wide range of possible definitions with one evident recurring quality, that being the relationship between internet connections and online transactions. Turban (2012) provides a simple summary when describing e-commerce as the process of purchasing, selling, or exchanging products, services, or information via computer. Another explanation by Currie (2000) is that e-commerce is a broad term describing business activities with associated electronically conducted technical data.

E-commerce revolution among other things was summarized well by Dědek (2014) who mentioned that the Internet as a breakthrough medium supported a completely new business philosophy previously bound up with traditional business rules and also offered tools to create new business models, these benefiting from rapid information transfer, more interactive prospects and process automation (Steward, Callaghan & Rea, 1999). Despite the latter, Schneider (2006) believes that e-commerce could be a tool for increasing sales and lowering costs, so the internet as a medium also brings potential advantages to businesses. Porter (2001), on the other hand, affirms that this is not the case as all businesses would adopt the Internet channel in the future, thus eliminating the competitive advantage. Hamilton (2007) opposed Porter with the possibility of new levels of competitiveness with constantly existing reconfigurations, reprogramming due to technological advances and improvements in artificial intelligence, so the advantage does not reflect the state of e-commerce implementation at the level of its integration and progress.

Moreover, revenue sources appear to be more diversified: from analogies to traditional revenues such as direct sales and subscriptions, to more novel issues such as percentage profit from each hosted transaction, commissions for matching buyers and sellers, or income from social networks trading (Korper & Ellis, 2001). The above is just a fraction of the whole spectrum that was introduced by the revolution in e-commerce.

2.2 Digital marketing

Completely new environment created by the internet and the e-commerce revolution has also introduced the need for a similarly new approach in marketing and as such the concept of digital marketing was born.

Many authors have defined digital marketing and most of them come to a fairly similar conclusion. Thomas & Housden (2011) claim that digital marketing is basically the converging of information and mostly new communications technologies. Chaffey et al (2009) similarly describes digital marketing as marketing management and execution using electronic media such as web, email, TV and wireless media together with digital customer characteristics and behaviours. Both definitions portray Digital Marketing as something that is integrating customer information and digital media in order to target a particular audience. Furthermore, Chaffey's definition was expanded by him by when he listed of the all the different digital media types that are used for communication with customers. Nevertheless, none of these definitions speak of any strong relations being built between organizations and customer by utilizing digital marketing, although that is one of the essential components of the aforementioned digital marketing.

Because of the current rise of other digital media platforms such as social media, organizations and customers have become much more connected than ever before. Digital marketing provides the critical bridge between digital touch points for customers and digital conversation interfaces that companies use to deliver relevant content to customers as stated by Inn (2016). If we explore it further marketers can communicate relevant information related to their organization with their customers through the use of digital marketing.

Saarinen et al (2005) similarly states that digital marketing can be used to create brand communication that customers potentially perceive to be informative, entertaining and interesting. The introduction of digital marketing has resulted in a significant increase in customer and organizational communication. This frequent customer - organization interaction helps in building a better relationship between the two.

The rapid development of technology in the marketing world has resulted in a lot of change. The internet revolution presents the first significant change in marketing practices since the aforementioned started in the mid-19th century (Barket & Hart, 2008). The Internet's introduction and expansion has had a significant impact on how we communicate and that in turn has directly affected how organizations market their products and communicate with their customers. It is the main tool used today for digital marketing and continues to grow in popularity. Wind and Mahajan (2002) agree with Barket & Hart's statement by stating that the digital revolution has shaken to the core the entirety of marketing business further reinforcing the fact that internet introduction and its technological progress have had a major impact on the marketing world.

Social media marketing is one of the main tools used in the digital marketing campaigns conducted by all kinds of organizations. For many business leaders today, the concept of social media is at the top of the agenda (Kaplan & Haenlein, 2010). This can be illustrated by the UK's annual digital marketing expenditure which is expected to rise from £ 8.251 million in 2015 to £ 14.134 million in 2020 (Mintel, 2016).

The heavy investments into Digital Marketing show how it is becoming an integral part of successful organizations and shows how the future of the market likely lies with digital media. This is being further confirmed as these investments are expected to continue to grow into the future. Cao et al (2013) also stated that the usage rate of SNS (social networking sites) has reached 82% of the entire online population of the world. This shows how social media is used by most people who have access to the internet, showing how important social media is in modern society. Due to the figures of Cao et al being extracted directly from a

survey conducted by comScore in October 2011 and together with Mintel being a database widely used by many researchers, these statistics can be considered fairly reliable.

When new technology emerges, marketers usually have to make sure they keep up with the latest trends and don't fall behind their competitors. Technological developments and marketing developments are inextricably intertwined (Ryan, 2016). There are always new ways for organizations to market their products and services coming with the development of any new technology. Advances in technology are one of the main reasons why right now digital marketing is emerging and growing. Trainor et al (2014) explain how the combination of CRM (Customer Relationship Management) systems with social media technology has given way to a new CRM concept that incorporates a more collaborative and network - focused approach to customer relationship management, demonstrating how new technology plays a key role in enhancing customer - organization relationships.

2.3 Online store design

One of the main challenges of today's digital marketing environment is the ever increasing competition and the need to make yourself stand out in order to capture the attention of your potential customers, make sure that these captivated customers would also decide to spend on your offered products or services and if possible make sure that they keep spending in the future, potentially even convincing more people to do the same.

2.3.1 Store design

Most of these issues can be at least to some degree solved by designing your store in the right way. Ebster et al. (2011) propose many solutions regarding store design and although their proposed strategies are clearly articulated with actual physical stores in mind many of these designs are very much applicable even for online stores.

They propose for example the use of so called Forced-Path Layout, which as the name implies, forces the shopper to take a carefully planned route through the store. This layout is intriguing to sellers, at least in theory. Due to the predetermined path the shopper will take, the layout allows the retailer to plan the shopping experience like a film script. Once the customer is in the store, he or she follows a single path to the checkout and is in contact with the products exactly as the retailer predetermines. Our use of the knowledge of what the shopper will see next can be utilized to influence the customer behaviour. Furthermore, since

the shopper crosses every aisle in the store, contact with other products can be maximized. In turn, contact with many products increases the likelihood of unplanned purchases.

Another strategy proposed by Ebster et al. (2011) is the use of visual merchandising. In short, visual merchandising is the art and science of the most visually appealing way of presenting products. Visual merchandising is the "language of a store"—it's how a retailer communicates with their customers through images or presentations of products.

Products are most likely almost going to sell themselves with a good visual merchandising strategy. In fact, a study examining the effect of visual merchandising on packaged consumer goods found that the impact of visual merchandising on brand switching was approximately equal to 15%–30% reduction in price. A more sophisticated visual merchandising strategy can lead to even greater effects, achieved for example by directing the attention of customers to specific products, triggering unplanned purchases.

In addition, merchandise presentation can contribute to the store's overall image. Thus, to convey a harmonious overall store image, it is very important that the correct visual merchandise strategy is combined with all other store design elements, such as the store layout or the store atmosphere.

Several aspects need to be considered when planning visual merchandising. As so often happens in marketing, with visual merchandising it helps to look at things a bit from the customer's perspective.

One of the most important principles when utilizing visual merchandising is the need to make the merchandise visible and easily accessible to the customer. Further suggestions by Ebster et al. (2011) on how to achieve this and their other strategies focus mainly on aforementioned physical stores, their main points however should be taken into account even when designing the layout and feeling of a store online.

2.3.2 Website design

Even though many lessons can be learned from the observations in physical stores, designing an online store also has its own unique set of challenges. Many of these were well summarized by McDowell et al. (2016) in his research paper, we will paraphrase him here.

Internet retailing is part of a multi-channel strategy for retailers and manufacturers focused mainly on promotion and distribution (Grewal, Gopalkrishnan & Levy, 2004). The Internet's applicability to the business model of a company however imposes some constants. High-risk,

high-priced products, for example, do not sell easily on the Internet (Grewal et al, 2004). Some consumers are reluctant to buy due to their personal information's possibility of leaking because of a potential security breach (Koufaris and Hampton-Sosa, 2004, Tarafdar and Zhang, 2007/8). For these and other reasons, the rate at which shopping visitors convert to customers for online retail is quite low, leading to fairly high cost of customer acquisition (Grewal et al., 2004, Hoffman and Novak, 2000, Sohrabi et al., 2012).

Research suggests that website design is an important factor when turning visitors into customers is concerned. Experts conceptualize the content and design of the site to influence the willingness of consumers to purchase (Smith and Sivakumar, 2004, Sohrabi et al., 2012, Shobeiri et al., 2015), and these features seem to alter the viewers' attitude (Hausman and Siekpe, 2008, Sicilia et al., 2005). Pleasing visitor greeting pages of consumer website experiences are linked to positive attitudes (Richard & Chandra, 2005). Entertainment content like movies, music, and games also boosts positive attitudes and buying intentions (Lu and Su, 2009, Hausman and Siekpe, 2008). Positive attitudes towards a well-designed website are positively linked to further site exploration (Menon & Kahn, 2002) and purchase intention (Bruner et al., 2000, Jayawardhena, 2004, Lynch et al., 2001).

Interactive designs can increase the attractiveness the website (Ghose & Dou, 1998). Many design features, such as comment sections, downloads and frequently asked questions sections, can improve site interactivity while others can increase customer frustration. Overloading users with information can cause them to get lost, weary, and exit the website before buying (Sohrabi et al., 2012). User behaviour related knowledge is key to ensuring that design does not interfere with any potential purchase intention (Sismeiro & Bucklin, 2004).

2.4 Performance indicators

As we can see there are many possible approaches to choose from when designing a website, or other kinds of a digital channels. To make sense of which ones are more viable for specific purpose than others there was a need to develop some way of measuring the website performance. As such various performance metrics have been developed to solve this issue.

A special type of these metrics are the so-called key performance indicators, or KPIs. These indicate the overall performance of a process or a sub-process based on their premise (Chaffey et al.,2019). We can further divide these into two types:

2.4.1 Leading performance indicators

These performance indicators suggest to us possible future website, or other kinds of a digital channels', performance. Big advantage of these is that they allow managers to think and act proactively when deciding on how to better manage future performance.

Usually these are the rarer of the two. Among those applicable to e-commerce we can find:

Repeat sales metrics – when we observe the fall of repeat conversion rates, we can assume that this will continue in the future and thus adjust our strategy accordingly, e. g. more retargeting campaigns.

Customer satisfaction ratings – If the expressed customer satisfaction is on a downward trend, we can see it as a sign of future decline in repeated sales and take appropriate action, e.g. improve our offered service

Sales compared to market audience trends – If online sales are increasing slower than overall online audience for a product, our conversion rate is getting worse and we should look for a solution. (Chaffey et al.,2019).

2.4.2 Lagging performance indicators

These performance indicators show us past website, or other kinds of a digital channels', performance. These show us our possible past shortcomings and allow us to take corrective action. Usually these are being used more frequently, often on daily or weekly basis, so that we can constantly review and adjust our online strategies.

These indicators are generally more common, and some examples of the ones used in e-commerce are:

Sales volume, revenue and profitability – we usually compare these to previous periods or periods expected by targets that were set ahead.

Cost per acquisition – this indicator shows us how much each new customer costs us, trend variations for these costs can be used to determine future potential strategies.

Conversion efficiency metrics – this means, at least for e-commerce, visitor to customer conversion rates, average order, or landing page bounce rates. (Chaffey et al.,2019).

2.5 Marketing-led site design

As there is quite a large number of various performance indicators we have to, for the purpose of this study choose some to focus on in more detail. We will now further explore the performance indicators of the marketing-led site design, which is a fairly common approach used to avoid the risk of business requirements being marginalized as a consequence of focusing too much on user-centred design.

Marketing-led website design is informed by marketing objectives and tactics. This approach usually opts to base the design on achieving the performance drivers of successful digital marketing. There are four performance drivers that influence marketing-led design, these are:

Customer acquisition

This factor is determined by the number of people who decide to engage with the business and as such become potential customers. These might be converted into actual buyers immediately if the website design is optimized for it, or in the future by follow-up marketing. It suggests that the value proposed by the website should be clear, and that website should devise appropriate incentives for customer acquisition.

Customer conversion

This factor is determined by how many of the website visitors decide to actually buy what the website is offering. It suggests, that site should strive to engage first-time visitors. It should also call the visitors to action, the action being purchase, newsletter sign-up, or participation in a long-term partnership and offer clear reasons for and benefits to potential customer by conducting this action. The fulfilment of the purchase or other offer should be as simple and intuitive as possible. Website should also devise other appropriate incentives for customer conversion.

Customer retention

This factor is determined by how many of the website customers decide to purchase repeatedly throughout a longer period of time. It suggests that the website should offer appropriate incentives for repeated purchase and long-term loyalty. It should also offer as good of a service quality as possible to increase customer satisfaction with the service and stay loyal to the website. Website should also devise other appropriate incentives for customer retention.

Branding

The last factor focuses on building a brand name, which if done correctly can offer many advantages, from trustworthiness to increased customer loyalty. It can be evaluated by how well the brand is perceived by the targeted audience. It suggests that the website should clearly explain the used brand and allow the customer to interact with the brand in some way. Website should also devise other appropriate incentives for brand engagement and brand loyalty. (Chaffey et al., 2016)

2.6 Website design strategies

After briefly explaining the performance indicators used to measure the effectiveness of marketing-led website design, we will now look into two of these in further detail. We will also explore the potential approaches, that can be utilized when optimizing for, or just improving the website performance, that is indicating by them. These two indicators are the customer conversion rate and customer retention rate.

2.6.1 Customer conversion rate

The conversion rate theory has been researched by McDowell et al. (2016) that stated reflects the interaction between a website and the purchase choices made by its consumers and is defined as the percentage of users who buy a product from the total unique visitors who enter a website. For many retailers, the conversion rate is extremely low, as low as 2% to 4% (Holzwarth et al., 2006, Sohrabi et al., 2012, Internet Retailer, 2013). Given the dramatic growth in online use and the historically low conversion rates, any increase in the conversion rate could have a major impact on the profitability of a company (Montgomery et al., 2004, Silverstein et al., 2001).

Several previous studies investigate the connections between conversion rate and effectiveness of the website. Direct website effectiveness measures often directly led to higher conversion rates, these included improvements in the checkout process and removal of unnecessary graphics (Tsai, 2004), the use of decision-makers to assist users (Sismeiro & Bucklin, 2004), the elimination of back door elements (Zhou, Lau & Yang, 2004), and various other customer interactions (Awad, 2004).

2.6.2 Proposed approach for better conversion rate

McDowell et al. (2016) hypothesized a relationship between the conversion rate of the website and features of the website that improve or impede user flow when the user mentioned is conducting shopping.

Website flow

Flow is a pleasurable cognitive holistic feeling that people feel when they are fully involved in something (Csikszentmihalyi, 1977). Flow typically occurs when an individual is actively involved in some interesting and challenging task, such as sport, hobby, or work (Novak et al., 2000, Richard and Chandra, 2005). The concentration of the user blocks the consideration of other occurrences outside the website environment when flow involves the aforementioned online environment itself (Hoffman and Novak, 2000, Novak et al., 2000).

Studies examine this mental state as a means by which online marketers can engage customers and increase repeated purchases in the context of computer interaction and the Internet (Richard and Chebat, 2016, Smith and Sivakumar, 2004). Interactivity of the website increases the intensity of the flow experience for consumers and produces positive attitudes towards the website among them (Mahnke et al., 2015, Richard and Chandra, 2005, Sicilia et al., 2005). Long download delays, link failure, long forms to complete (Richard & Chandra, 2005), foreign product descriptions, and ambiguity about the next step in site navigation (Rosen & Purinton, 2004) are some of the potential flow inhibitors. Frustrated users usually acquire a poor attitude towards the site and their potential buying intentions are greatly diminished (Hausman and Siekpe, 2009, Sohrabi et al., 2012, Trevinal and Stenger, 2014). Web design is aimed at directing the consumer to the goals set by the website designer (Geirland, 1996). It is not clear whether flow induces buying behaviour, although it appears to increase buying intention (Jayawardhena, 2004).

The more irrelevant or dynamic content the users are exposed to, the less likely they are to convert (Sismeiro & Bucklin, 2004). User concern with superfluous information may however be able to enhance browsing experience to such an extent that it becomes unimportant for him to complete the purchase (Smith & Sivakumar, 2004).

Four flow design stages

McDowell et al. (2016) have identified that E-commerce transactions require consumers to progress sequentially through various pages of the website. E-commerce progression is shared by four specific stages of website experience (Scheffelmaier and Vinsonhaler, 2003, Sismeiro and Bucklin, 2004).

The first stage is the homepage of the website that identifies the site, provides information about content and links to other pages (Singh, Dalal, & Spears, 2005). The second feature group is the Catalog stage, which offers product information and the option to browse through the other things on offer (Sismeiro & Bucklin, 2004). The third stage is the Shopping Cart, which summarizes the order of the customer and allows the user either to go back to browsing

or to make a purchase. Checkout is the final stage. This stage includes payment and information collection to complete an online transaction.

While website pages representing different destinations are interconnected, buying transactions usually lead a consumer to sequentially navigate through these destinations (McDowell et al., 2016). McDowell et al. also hypothesized that website features that enhance purchase intention in all of these stages are associated with conversion. Their conclusions for these stages were as follows:

2.6.3 First stage – Visitor greeting

Results for the Visitor Greeting stage model show that early engagement is important for purchase conversion. Recommended and featured products help develop immediate customer interactivity. Furthermore, providing a Shopping Cart Icon in the Visitor Greeting stage of the website experience is also positively associated with conversion rate increases. The link to the shopping cart of the customer can also be a step towards simplifying the path of the customer to the purchase. Finally, the strong negative link between the conversion rate and providing links to other website pages, such as investor relations, customer service, and outlet shopping, can be explained by the negative impact of excessive website browsing. (McDowell et al., 2016)

2.6.4 Second stage – Catalogue stage

The Catalog stage model is the only model of regression showing only negative associations between features and rate of conversion. This finding reflects the argument that visitors who browse extensively may never decide to buy (Sismeiro and Bucklin, 2004, Sohrabi et al., 2012, Smith and Sivakumar, 2004). In line with Bulkeley and Carlton (2000) industry reports, discounts and free shipping actually have a negative relationship with buying behaviour. This is likely to mean firms with less efficient business models resorting to price competition as an ineffective strategy to convert visitors to clients. Equally likely, however, is the explanation that flow is broken when there appears to be a special offer unrelated to the products being examined or when a mandatory registration is required before proceeding (Richard and

Chandra, 2005, Rosen and Purinton, 2004). The presence of topic tabs in web design shows a negative conversion rate relationship. The ease with which visitors are able to reward themselves repeatedly by selecting new navigation options can make the path to buy less likely. (McDowell et al., 2016)

2.6.5 Third stage – Shopping cart stage

The conversion rate is positively associated with most features in the Shopping Cart phase. This shift from negative associations in the catalog phase is likely due to the customer's pre-purchase intentions being expressed through the Shopping Cart entry action (Rajamma, 2006). Once the customer arrives at the destination of the cart, flow influences the customer again in order to continue interacting. Instant pricing, including product costs, shipping and taxes, reduces the level of uncertainty experienced by the customer and allows the customer to remain in the state of flow (Bulkeley and Carlton, 2000, Rajamma, 2006).

Continued interactivity drives the customer through the cart sequences once at the shopping cart destination and then on to purchase (Richard & Chandra, 2005). The concept of bundling is one explanation of the positive association between related product suggestions and conversion rate. Bundling rationale is that the perceived consumer surplus will push the customer to purchase more than just the original item considered (Liao & Tauman, 2002). By offering a related product to the customer, possibly at a lower price as Amazon.com does, the creation of consumer surplus could lead to an increased rate of conversion. (McDowell et al., 2016)

2.6.6 Fourth stage – Checkout stage

The final model, representing the website features in the checkout stage and their effect on conversion rate, resulted in two strong positive associations between the independent variables of Human Contact Information, Instant Pricing and Conversion Rate. There is a strong negative relationship between Checkout and Conversion Rate when Email Address is Required. (McDowell et al., 2016)

2.6.7 Customer retention rate

Overall, online buying behaviour can be understood in two stages: the first stage is primarily about encouraging people to buy online and the second stage is about encouraging them to buy back, this second stage is critical to the success of the e-commerce vendor. Acquiring new customers costs more time and effort than retaining existing ones. In fact, retention of customers are often seen as the means for gaining a direct competitive advantage (Tsai et al., 2007). However, for repeated purchases, only about 1 percent of online visitors return (Gupta et al., 2007). Therefore, delving into online customer repurchase behaviour drivers is important (Qureshi et al., 2009).

The intention to repurchase is a demonstration of customer loyalty. Although other dimensions of customer loyalty are identified in the literature (Harris et al., 2004), repurchase behaviour has a more direct effect on the profit of the vendor. Careful literature scrutiny indicates that it is only relatively recently that online customer repurchase behaviour has been considered by any studies (Khalifa, 2007). Indeed, few studies have examined repurchase intention through the lens of relationship quality, although relationship quality is considered an important factor in the marketing literature of relationships. Therefore, Zhang et al. (2011) decided to examine relationship quality antecedents and understand how they relate to the behaviour of customer repurchase in an online context.

2.6.8 Proposed approach for better customer retention

Zhang et al. (2011) hypothesized that perceived website usability should be positively related to online relationship quality and in turn to customers online repurchase intention.

Online relationship quality

While earlier research on relationship marketing investigated and tested the quality of relationships in different contexts, the definitions and conceptualization remained subtly different. Conceptualization of relationship quality by Johnson et al. (2004) focused on trust, commitment, and stability of relationships, but was also widely considered to include satisfaction, commitment, and quality of service.

Despite inconsistencies, however, most literature agrees that the key sub-constructs of relationship quality are satisfaction and trust. Prior work has argued that only when buyers feel satisfied and have confidence in their relationship with the vendor will a good relationship be developed. In extending this definition, we see the quality of the online relationship as a second - order construct consisting of a customer's trust and satisfaction with an online vendor.

Two categories of factors are generally considered precedents of relationship quality: characteristics of the salesperson (qualities such as domain expertise) and behaviour. However, in the context of B2C (Business to consumer) e-commerce, the site represents the vendor, not a salesperson. A well-designed, highly usable website is the equivalent of a competent salesperson when building an online relationship quality in B2C e-commerce. Zhang et al. (2011) therefore included the usability of the website as a major factor affecting the quality of the online relationship.

Research by Zhang et al. further confirmed that the quality of the online relationship positively influences the intention to buy back. The perceived influence of website usability on the intention of online repurchase was positive and significant and the perceived usability of the website had a positive influence on the quality of the online relationship. Thus, confirming all their previously mentioned hypotheses.

Website usability

Consumers use a website to find information about the product, make online payments, and make full purchases. A website should therefore provide rich product information to the consumer (Yoon, 2002). Furthermore, a well-designed website with high usability (e.g., ease of navigation) can improve the online buying experience of a consumer and their vendor perception (Chakraborty et al., 2002), (Flavián et al., 2006). Cyr (2008) found a positive relationship between consumer loyalty and website usability design. Other research has highlighted a significant relationship between loyalty and usability of the website (Casaló et al., 2008). Further hypothesis by Zhang et al. (2011) was that perceived website usability is

positively related directly to customer online repurchase intention. This Hypothesis was based on previous findings. For example, Zviran et al. (2006) studied the customer satisfaction effect of website usability and user - based design and found that usability of the website influenced user satisfaction. Flavian et al. found that customer satisfaction and trust were positively influenced by perceived website usability. Casaló et al. also found that customer satisfaction was positively influenced by perceived website usability. The concluding hypothesis of this part of the research conducted by Zhang et al. (2011) was that perceived website usability is positively related directly to online relationship quality.

2.7 Conclusion

In the literature review chapter, the author focused on the rise of the e-commerce, the importance of digital marketing and what role does website design play in it. Author further focused on how anyone can evaluate the effectiveness of website designs and introduced key performance indicators, with emphasis on those used in marketing-led website design, from which he primarily focused on two. The first one being the conversion rate of the website meaning how many visitors is the website capable of turning into actually purchasing customers. And the second performance indicator author focused on was the customer retention rate indicating how many customers have chosen to repeatedly purchase on our website that's showing us the website capability of encouraging loyalty in customers.

Author further researched two possible design approaches each of them focusing on optimizing the website for customer conversion and customer retention respectively and summarized the effects suggested by the results of earlier studies. The first approach author explored was focused on customer conversion, this approach suggested increased focus on four flow design stages, these being the greeting page, catalogue, shopping card and checkout, when designing a website. The second approach the author explored was about optimizing the website design for customer retention rate a focus on website usability, meaning mainly the ease of navigation, as it was suggested by the studies that this increases the intention to repurchase and even the quality of the online relationship with the seller, meaning it improved the trust towards and satisfaction with an the online vendor.

The aim for this dissertation is to explore and evaluate possible approaches and strategies that can be taken when designing a website for an online store. After reviewing the literature, it was decided to choose specifically the two aforementioned approaches for further analysis. Three assumptions were made based on the previous research and were tested as hypotheses for the purpose of confirming the previous findings and clearly show if the benefits and shortcomings of these studied approaches are as previously found.

2.7.1 Hypotheses

Hypothesis 1: Website flow design stages of greeting page design, catalogue design, shopping cart design and checkout design all influence the conversion rate.

Sub-Hypothesis 1.1: Greeting page design influences the conversion rate.

Sub-Hypothesis 1.2: Catalogue design influences the conversion rate.

Sub-Hypothesis 1.3: Shopping cart design influences the conversion rate.

Sub-Hypothesis 1.4: Checkout design influences the conversion rate.

Hypothesis 2: Website usability influences the intention to repurchase and thus customer retention.

Hypothesis 3: Website usability positively affects the quality of online relationship between the seller and the customer.

3 METHODOLOGY

This chapter will describe the research framework, philosophy and strategy considered for this work and explain the which were chosen for this specific research. It will finish with describing and justifying the used research method of primary data collection as well as its exact design.

3.1 Research framework

Saunders et al. (2012) define "research onion" as a general research procedure that can help the researcher make an appropriate method choice by "peeling" six onion model layers. Each layer is a degree in which the method can be examined and together they give a complete description of the attitude of the researcher. These six stages are: philosophies, approaches, strategies, choices, horizons of time, techniques and procedures.

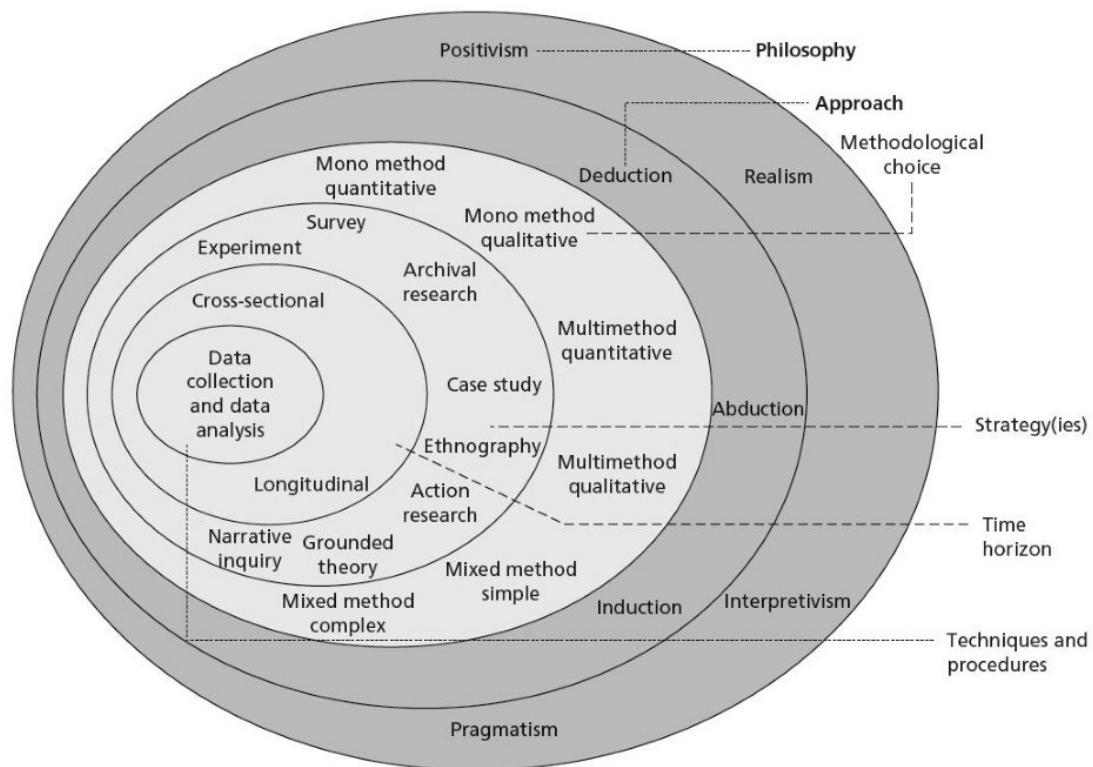


Figure 3.1

Onion research framework, source: Saunders, Lewis, and Thornhill (2012)

3.2 Research philosophy

Research philosophy is considered the first step in the onion framework and it is referring to knowledge development and its character. This summarizes the views of the author on how to perceive the world and has continuing impact on the research strategy (Saunders et al., 2012). Although research philosophy is often chosen from previous traditions prevalent in social research, Easterby-Smith, Thorpe, and Jackson (2012) believe that even a simple awareness of philosophical assumptions may enhance the quality of a research and may also enrich the views of researchers, mostly by answering the question of the specific relationship between concrete data and theory. There are two parts that are most discussed among philosophers: ontology and epistemology.

Ontology

Ontology operates with presumptions that focus on how the world works and their commitment to specific views. Two major aspects of ontology should be considered in a business research: Objectivism and Subjectivism (Saunders et al., 2012).

Objectivism suggests that social actors appear as external factors irrelevant to research fashioning. It is a social research approach developed from natural sciences when the scientists opt to use highly successful natural science methods to investigate different social phenomena as well. In contrast, subjectivism holds the view that social phenomena arise from the perceptions and consequent actions of social actors that are concerned with their existence (Saunders et al., 2012). Subjectivism, in other words, states that it is essential to study details of a particular situation in order to fully understand the social phenomena examined, because these are in a state of constant revision.

Since the author of the research believes that social phenomena can be observed and that reality can be increasingly understood by accumulating additional and hence more complete information, objectivism has been chosen as the approach for this specific research design.

Epistemology

Epistemology explores various forms of questioning the physical and social worlds ' nature. Although the "onion" framework mentions numerous views, Easterby - Smith et al. (2012)

defines the two main approaches that are used the most in this context: positivism and social constructionism.

Figure 3.2

	Positivism	Social Constructionism
The observer	Must be independent	Is a part of what is being observed
Human interests	Should be irrelevant	Are the main drivers of the science
Explanations	Must demonstrate causality	Aim to increase general understanding of situation
Research progresses through	Hypotheses and deductions	Gathering rich data from which ideas are inducted
Concepts	Need to be defined so that they can be measured	Should incorporate stakeholder perspectives
Units of analysis	Should be reduced to the simplest terms	May include the complexity of the 'whole' situation
Generalization through	Statistical probability	Theoretical abstraction
Sampling requires	Large numbers selected randomly	Small numbers of cases chosen for specific reasons

Figure 3.2 Contrasting implications of positivism and social constructionism, source: Easterby-Smith et al. (2012)

Although it may be claimed that the author is a relative part of what is being observed and that interest can also be a fragmentary driver of science, for the purpose of the study, positivism was chosen. It is as such mostly because positivism is based on the assumption that social properties can be measured and valid knowledge of how they work can be established from the measurements. It has therefore become a paradigm that such an approach provides a

suitable way of investigating human and social behaviour. Furthermore, positivism with just a modest essence of the other approach, the social constructivism can still produce satisfactory and valuable results (Easterby-Smith et al., 2012). Despite the aforementioned aspect, it is claimed by the author that positivism is a suitable approach as it covers all the major parts that need to be covered.

3.3 Research approach

This paper's research begins with the theory that suggests certain outcomes. This fact was used as a premise for the sequential purpose of testing the theory to deduce the hypothesis. The deductive approach has therefore been chosen. Deductive approach is most often linked to positivism and a defining characteristic requirement of such a concept is that can be measured in practice, mostly quantitatively. At the start of the study, an existing theory is taken into account and an idea on theoretical foundations is further extended. With an expanding idea a hypothesis is developed, and new research should be formed and subsequently tested (Saunders et al., 2012).

3.4 Research strategy

There is a need for primary data for the purposes of this research. Primary data refers to the information acquired through conducting the primary research, not just collected. Secondary data, on the other hand, include information already gathered from existing sources (Sekaran, 2003). When collecting primary data, it is important to distinguish between methodologies of qualitative and quantitative research as these represent the two most common research strategies. Both are briefly described here for this purpose.

3.4.1 Quantitative research

Quantitative research is attempting to measure the exact specific values of the examined aspects and it is generally associated with the deductive approach (Saunders et al., 2012). These aspects are often composed from participant responses, transformed, categorised and presented in numbers for the purpose of being able to serve for further statistical analysis (Cooper & Schindler, 2008). Together with the positivist paradigm, the main advantage of

this approach lies in the ability to provide broad coverage of various situations, and potentially fast and effective solutions. The disadvantages of the quantitative method is that it tends to be inflexible and artificial, and simply lacks the tools required for the full understanding of processes people that attach to actions (Easterby-Smith et al., 2012).

3.4.2 Qualitative research

According to Cooper and Schindler (2008), qualitative data are a reflection of something's essential character or natural condition. Qualitative research refers to exact meaning and tends to be highly subjective and sensitive to human error and bias reflection in the data collection and interpretation process with greater weakness stemming from the impossibility of generalizing such qualitative outcomes and thus apply them to a larger population (Easterby-Smith et al., 2012).

3.5 Research method

A survey research is the method most often associated with the quantitative strategy. Although a survey is not the only methodology that exists within this strategy, it is considered a dominant method and has been selected as a method of research. Survey is a measurement process conducted by applying structured interviews to gather information. Different types of questionnaires may be used to collect data, in this regard there are two main choices when looking on how they are handled: interviewer-completed survey and self-completed survey. Whether or not a human interviewer is involved in the process, the questions should be carefully designed and logically structured to provide comparable data across the selected sample subgroups (Cooper & Schindler, 2008). The self - administered questionnaire was chosen as the most appropriate method given the advantages and difficulties of specific types of interviews. Main reason for this were time constraints of the author and the need of a larger sample that the author would be able to acquire in this limited time.

Three types of self-administered questionnaires were considered: internet-mediated questionnaires, postal questionnaires and collection questionnaires. Many aspects needed to be considered in order to choose the most appropriate type. Saunders et al. (2012) suggests

several examples, such as target respondent characteristics, the likelihood of response rate influencing the final sample size, or the nature and quantity of questions intended to gather information.

The online mediated questionnaire was selected from the three options above. The main reasons are outlined below:

- Online questionnaires provide an efficient, low price and time-efficient data collection solution.
- As research focuses on online shopping, targeted respondents are likely to be fairly internet savvy; this option provides to us an easy-to-use channel for data collection.
- Online collection is most likely to get respondents who have online shopping experience, which is the main respondent pre-requisite.
- Questionnaires can be delivered over long distances to a large number of respondents, providing a relatively large population for the research.

On the other hand, Saunders et al. (2012) also mentions some possible disadvantages:

- Online questionnaire response rate is usually low, 11% or lower.
- Questionnaire inflexibility may occur if the questions are too specific or give too few options.
- Questions may be misinterpreted.

3.6 Population

Population describes a whole set of individuals to whom the decision choice relates (Easterby-Smith et al., 2012). This research is examining the behaviour of any people that are engaged in shopping online and as such encompasses a fairly large segment of the population. The questionnaire will target people speaking English and Czech since it allows for easier collection of data and these are the languages the author is fluid in. No other limits have been established for the reasons mentioned above and also because of the lack of information

available on a typical e-commerce customer profile. Thus, no specific age group of users was selected for questionnaire fulfilment as the target population and the only requirement was online shopping engagement.

3.7 Questionnaire distribution

As previously mentioned, questionnaires have been distributed online. Since the research focuses on online shopping, the targeted respondents are likely to be internet-literate and as such social networks were the main channel chosen for distribution, with a focus on organic sharing. In addition, posting into online discussion groups and other additional minor distribution channels were used. However, the representation of the elderly population can be expected to be low as a result of distributing through social sites where younger people are more likely to be present. The application Google Forms has been used for the questionnaire creation and data collection because it provides an easy tool for creating similar questionnaires and enables sequential exports to excel in spreadsheets required for detailed statistical analysis.

3.8 Questionnaire design

1. **Language:** This question allows the respondent to choose his or her preferred language, so that the questionnaire can be undertaken if person speaks only one of the two optional languages. This also allows to potentially look for patterns and provides general image about the sample
2. **Gender:** This question gave the respondent the option to state if he or she was male, female or if they identified as some other gender. Sex-based splitting of e-commerce customers is vital for potentially finding patterns between different responses and also provides a general picture of the sample.
3. **Age:** For study purposes, age was not restricted, and four responses were offered: 18 - 24, 25 - 34, 35 - 50 and 50 +. This can help us to potentially find patterns and is important when putting together the respondent profile. These age ranges were chosen due to the expectation of an overall younger population of respondents.
4. **Shopping Engagement:** The question asked the respondent to share how frequently they conducted online shopping in the past year, the options

available were: Never, once a year, twice or more times a year, once a month, twice or more times a month, once a week, more than once a week and every day.

Main reason for this question is to separate the respondents who have never shopped, influenced or taken part in the online shopping process. It also allows to potentially look for patterns and can again help with putting together the respondent profile.

5. **New Store engagement:** This question asked the respondents if they in the past year bought anything from a store where they never purchased anything before. This question can potentially help us to determine the likely importance of factors such as customer retention and customer conversion it also allows us to observe potential trends and once more helps us to form a general picture of our respondents, this time especially when considering their answers to the later questions regarding the four flow design stages.
6. **Four flow design stages influence on purchase intention:** The following four questions asked the respondents if they perceived their purchase intention to be influenced by each of the four flow stages. As such it measures perceived influence of these designs on customer conversion. Respondents were asked to choose one of four options ranging from strongly agree to strongly disagree, neutral option was not included as the questions were structured in a way, that meant that neutral answer could be confusing. It was also not needed for the purposes of the research. The questions were as follows:
 - **Did the greeting page design influence your intention of shopping in any online stores?** – Evaluated to what degree does greeting page design influence the conversion rate
 - **Did the catalogue design influence your intention of shopping in any online stores, or to buy more than what you originally planned for?** – Evaluated to what degree does catalogue design influence the conversion rate
 - **Did the shopping cart design influence your intention of shopping any online stores, or to buy more than what you originally planned for?** – Evaluated to what degree does shopping cart design influence the conversion rate
 - **Did the checkout design influence your intention of shopping any online stores, or to buy more than what you originally planned for?** – Evaluated to what degree does checkout design influence the conversion rate

The goal of these questions is mainly to gather data for a possible test of the first hypothesis and its sub-hypotheses. We can also use it to possibly compare the perceived effect of the separate stages.

7. **Store loyalty:** In this question the respondents were asked if they conduct some their shopping in online stores where they purchased products before. Main reason for this question is to separate the respondents who do not conduct any of their shopping in online stores where they purchased products before from the next set of questions related to customer retention. This question can also potentially help us to determine the likely importance of the customer retention factor.
8. **Website usability influence on repeated purchase:** In this question the respondents were asked if the ease of finding enough relevant information about the products and services on offer was important to them when deciding to repeatedly purchase in online stores. As such it measured perceived influence of website usability on customer retention. Respondents were asked to choose one of four options ranging from strongly agree to strongly disagree in the same way as earlier. Also, in the same way the neutral option was not included as the questions were structured in a way, that meant that the neutral answer could be confusing. It was also not needed for the purposes of the research. The main goal of this question is to gather data for a possible test of our second hypothesis.
9. **Website usability influence on the quality of the online relationship:** In this question the respondents were asked if the ease of finding enough relevant information about the products and services on offer improved their trust towards and satisfaction with an online vendor. Trust towards and satisfaction with an online vendor in this case represents the quality of the online relationship. Again respondents were asked to choose one of four options ranging from strongly agree to strongly disagree. Same as in the two previous cases the neutral option was not included as the questions were structured in a way, that meant that the neutral answer could be confusing. It was also not needed for the purposes of the research. The main goal of this question is to gather data for a possible test of our third hypothesis.

3.8.1 Pilot study

The questionnaire was initially tested online with 8 total respondents with, 4 of which filled it in English and 4 in Czech. This was done with real-time feedback and the author of the questionnaire made immediate corrections. The main reason for using this method was to

simulate the filling process with targeted respondents. Unclear questions have been transformed into a more understandable form. Also, any issues with the logical coherence of the whole questionnaire, the biggest being that after finishing the form in English it did not end and continued onto the Czech version, were pointed out and were promptly adjusted. Despite a few mistakes, no serious complications were found by the pilot respondents while filling out the form.

3.9 Research limitations

Before proceeding to the findings and results of the research, there are various limitations that should be taken into account. Probably the most obvious limitation is acquiring more age various responses. As a student, the author has insignificant number of contacts to people older than 34 years. With more diversified sample, the research could focus more on differences among different age groups and it could describe their expectations in greater detail. This could be compensated by collecting data in person. But as stated earlier this could not be done mainly due to time constraints.

Internet mediated questionnaires provided quite fast option for data collection with rather satisfactory sample of 142 responses in a five days period. However, author is aware of the fact, that such sample cannot in no way represent findings applicable to whole e-commerce customer base. Much higher number of respondents would be required for more appropriate results. This was, nevertheless, again due to time limitations not realistically achievable.

Another concern to be taken into account is the quality of responses. Questionnaire distribution was conducted over the internet and during completion the author had no contact with the respondents. In addition, it was done on a voluntary basis. Consequently, respondents may have been responding in a hurry or might not have paid much attention to detail. This might have caused some responses to not be completed carefully, correctly or to be properly understood.

4 RESEARCH FINDINGS

The following chapter focuses on actual research findings, describes a way in which the hypotheses will be tested and finishes with the testing of hypotheses themselves. Firstly, the respondents' profile will be presented, secondly the hypotheses will be tested.

4.1 Respondent profile

In total 142 questionnaires were completed. While higher samples may provide more accurate findings, the time constraints did not allow for acquisition of further respondents. Also, in the scope of this dissertation the majority of possible statistical tests can still be considered satisfactory.

From the total 142 respondents 88 identified as female 53 identified as male and 1 identified as other.

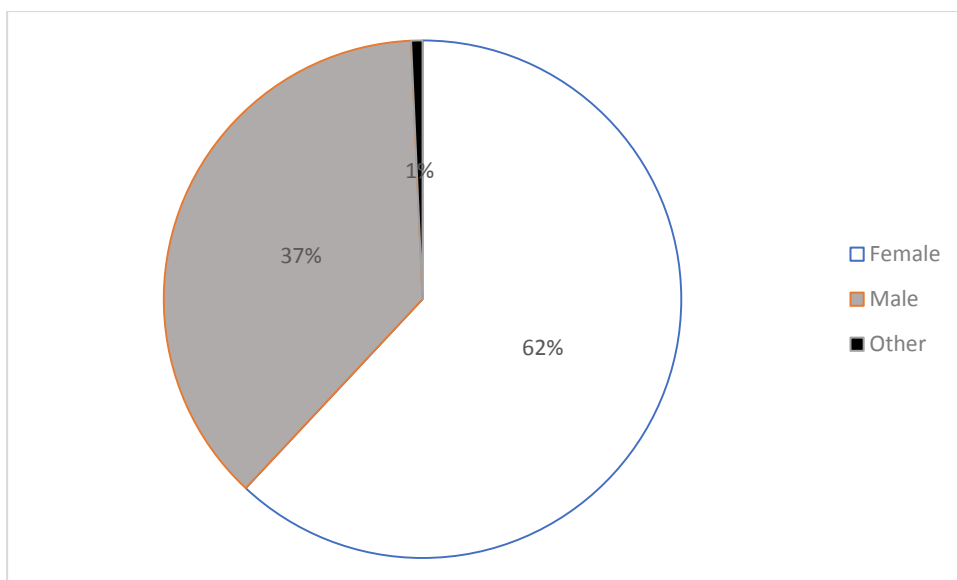


Chart 4.1 Gender

As was expected the vast majority of the respondents, a total of 116 belonged to the youngest age group ranging from 18 to 24 years. Second most numerous age group were the people ranging from 25 to 34 years, these numbered 24 people. There was only one respondent in the 35 to 50 years age group. And the same was true for the group of respondents older than 50 as this group also had only one respondent.

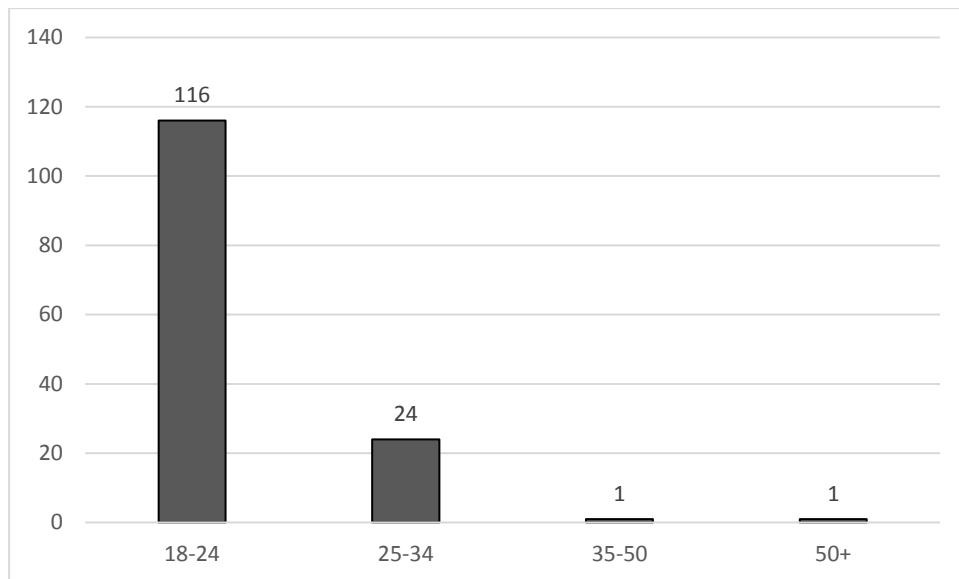


Chart 4.2 Age

Respondents could choose from two languages, Czech and English. More Respondents decided to answer in English, specifically 97. And only about a half as much, or 45 people chose to fill the questionnaire in Czech.

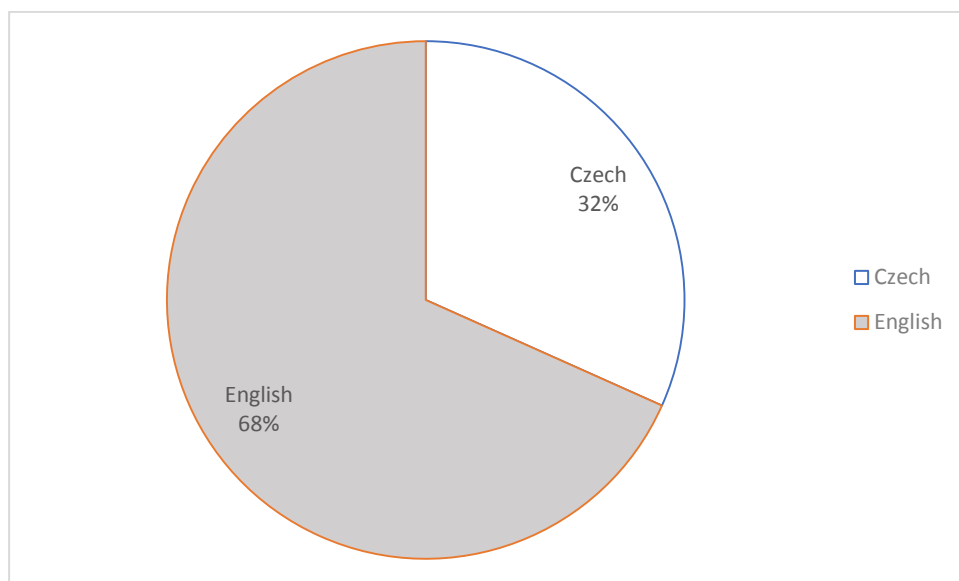


Chart 4.3 Language

Participants were asked How frequently did they shop online in the past year. They were given 8 options. The most common answer was Twice or more times a year with 38 responses. It was followed closely by the answer once a month with 36 responses. Others

went as followed, twice or more times a month with 27, once a week with 16, more than once a week with 10, once a year with 8, every day with 5 and never with 2. The questionnaire ended here for those who answered never as further questioning of these would be useless and as such the number of respondents of the next questions has decreased by 2 to 140.

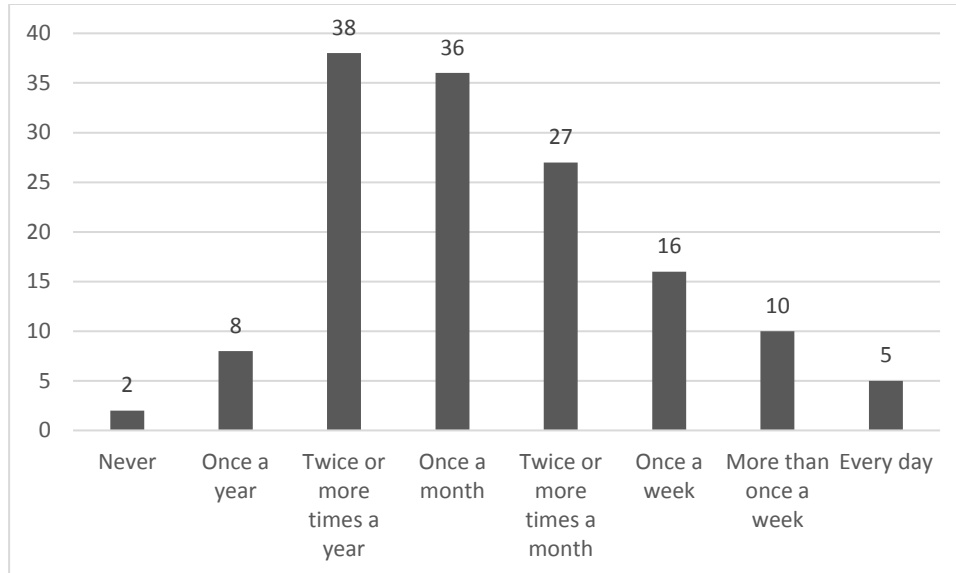


Chart 4.4 online shopping frequency

The questionnaire next investigated the percentage of respondents purchasing in new stores by asking if in the past year respondents bought anything from an online store where they never purchased anything before. 118 respondents, or 84 percent stated that they did. 22, or 16 percent stated that they did not.

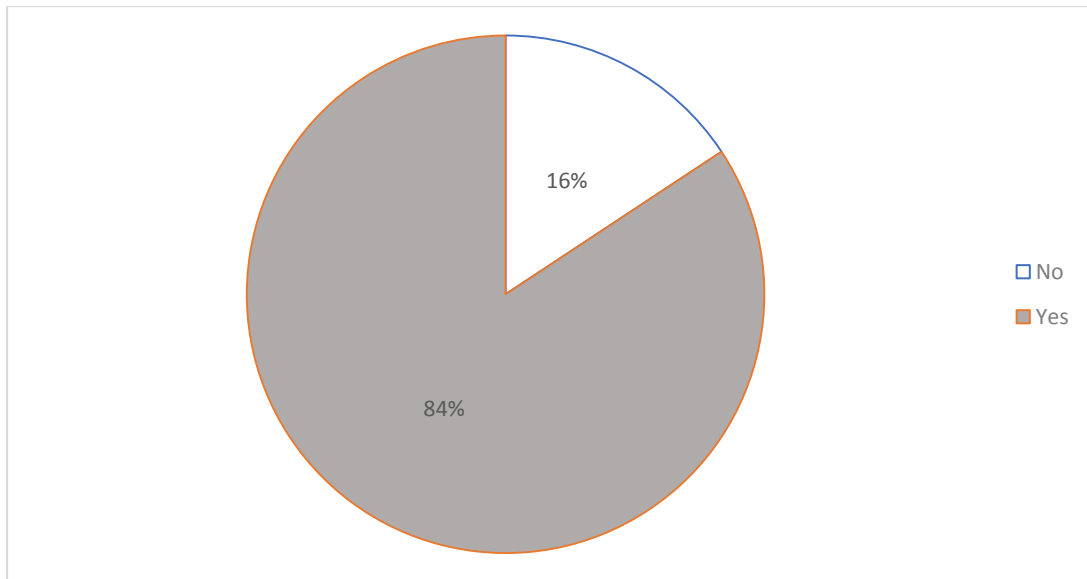


Chart 4.5 new store purchase rate

4.2 Perceived influence of four flow stages design on customer conversion

When asked if the greeting page design in any online store influenced respondent's intention of shopping there, 88 people agreed that their purchase intention was influenced by the greeting page design, 24 disagreed with greeting page having any influence on their purchase behaviour, 22 strongly agreed with this statement and only 6 strongly disagreed.

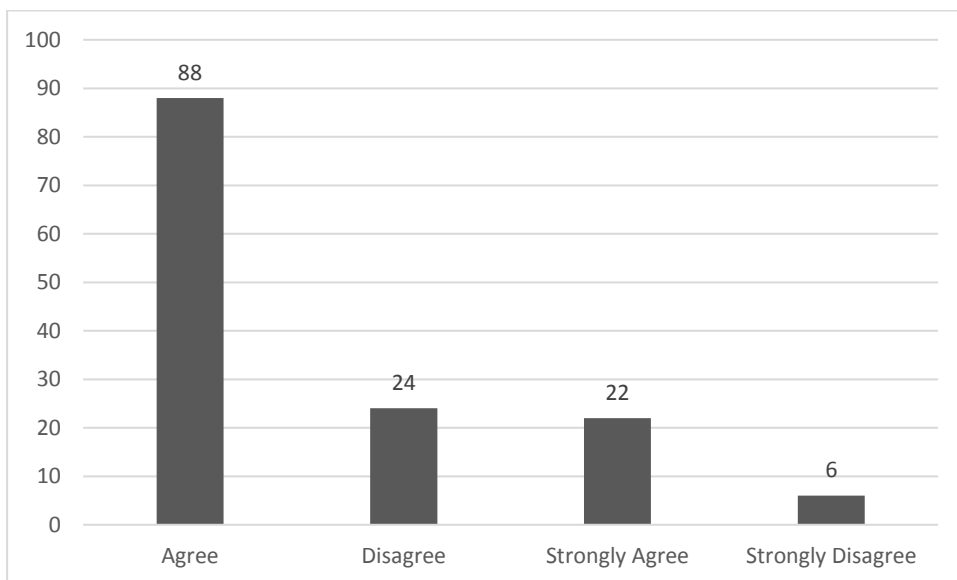


Chart 4.6 greeting page influence

When asked if the catalogue design in any online store influenced respondent's intention of shopping there, or to buy more than what they originally planned for, 79 people agreed that their purchase intention was influenced by the catalogue design, 33 disagreed with catalogue design having any influence on their purchase behaviour, 22 strongly agreed with this statement and only 6 strongly disagreed.

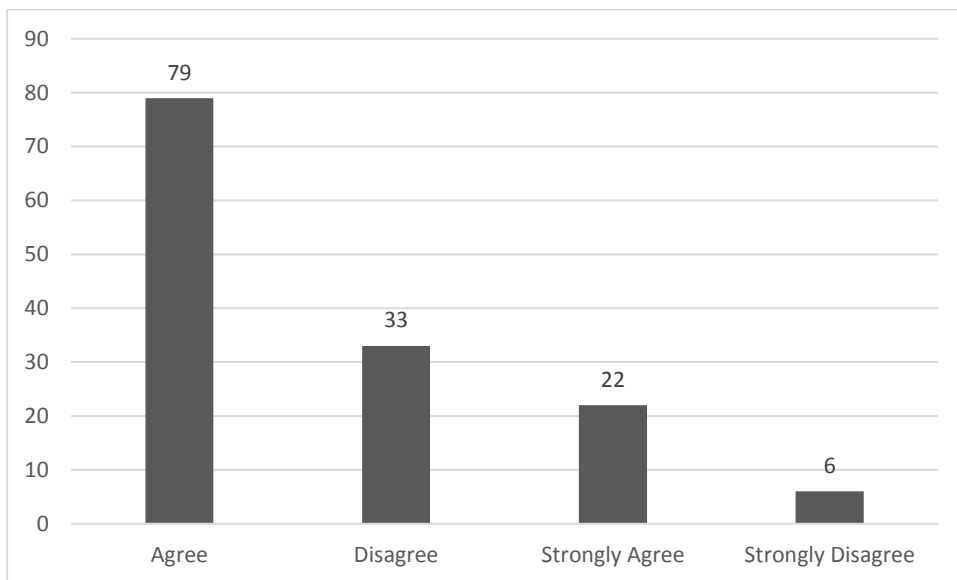


Chart 4.7 catalogue influence

When asked if the shopping cart design in any online store influenced respondent's intention of shopping there, or to buy more than what they originally planned for, 60 people disagreed with shopping cart design having any influence on their purchase behaviour, 54 agreed that their purchase intention was influenced by the shopping cart design, 14 strongly agreed with this statement and 12 strongly disagreed.

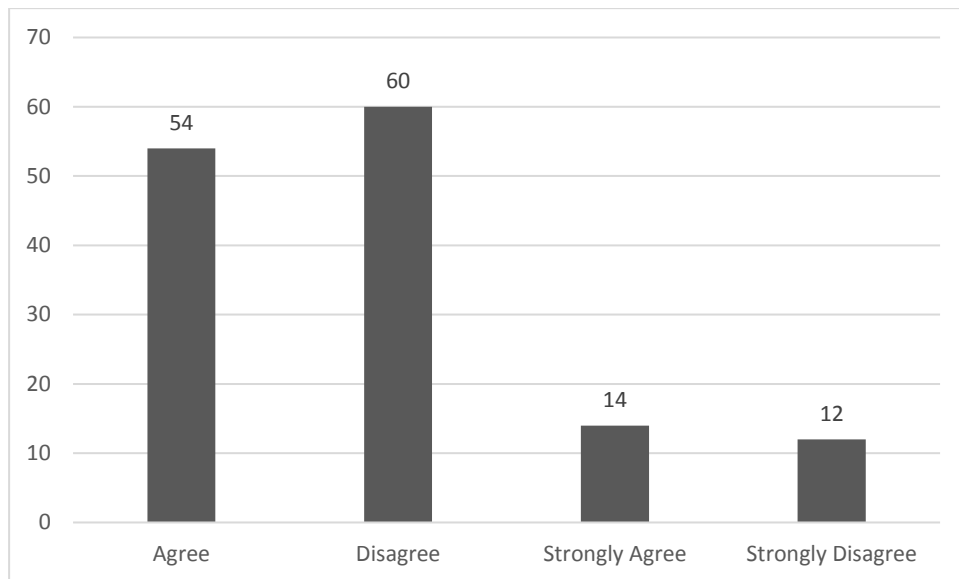


Chart 4.8 shopping cart influence

When asked if the checkout design in any online store influenced respondent's intention of shopping there, or to buy more than what they originally planned for, 65 people agreed that their purchase intention was influenced by the catalogue design, 49 disagreed with catalogue design having any influence on their purchase behaviour. The number of people strongly that strongly agreed and strongly disagreed with the statement was the same in this instance as both answers were chosen by 13 people.

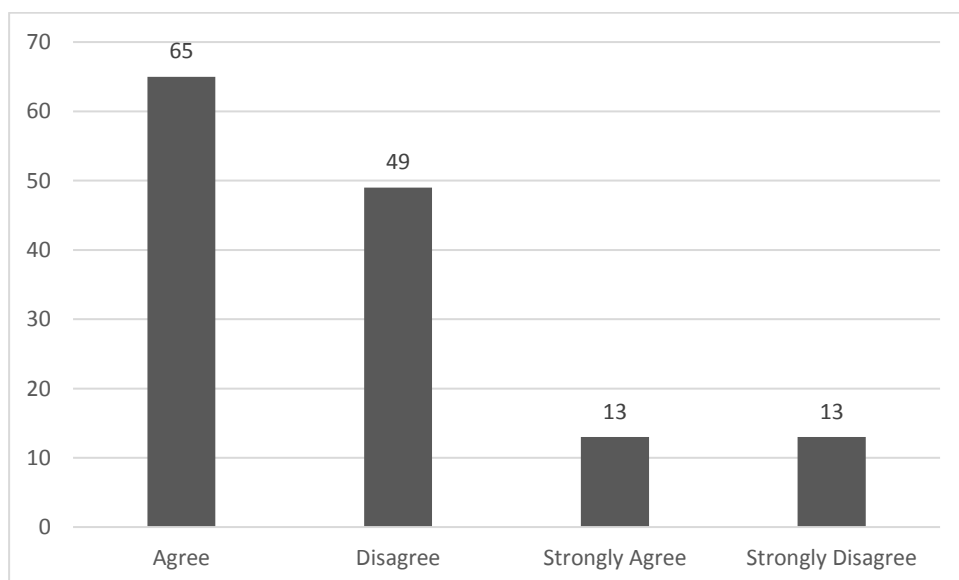


Chart 4.9 checkout influence

4.3 Perceived influence of website usability on customer retention and quality of the online relationship

The questionnaire next investigated the percentage of respondents that were loyal to previously used stores by asking if they conduct some of their shopping in online stores where they purchased products before. 109 respondents, or 78 percent stated that they do. 31, or 22 percent stated that they do not. This was the last question for those that answered they do not as further questions relate to customer retention. As such the number of responses in the following questions is the same as the respondents that answered yes, that is 109.

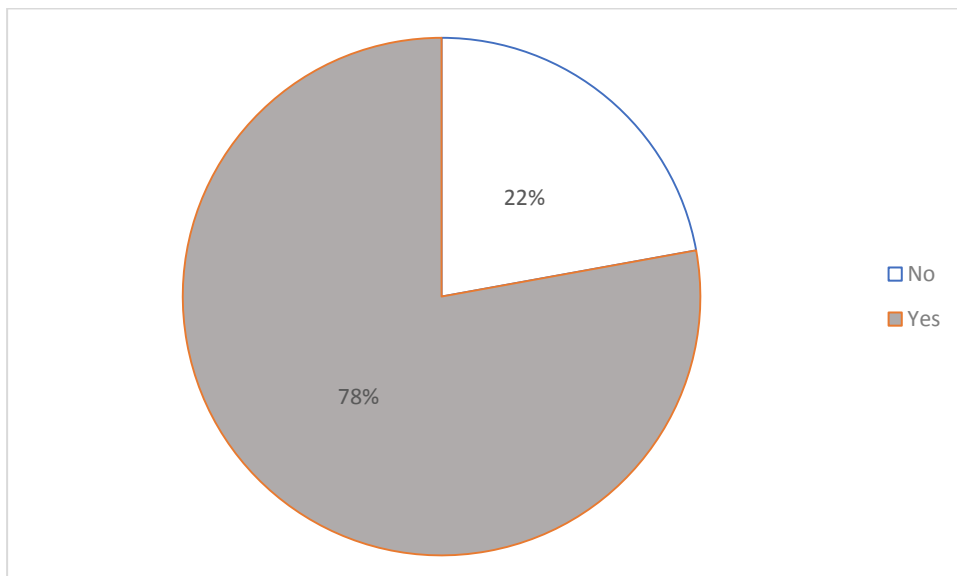


Chart 4.10 Store loyalty

Next question tested the perceived influence of website usability on customer retention by asking the respondents if the ease of finding enough relevant information about the products and services on offer was important to them when deciding to repeatedly purchase in online stores. Majority of respondents, 74 of them agreed with this statement, 29 strongly agreed and only 6 disagreed. Even though respondents were given the option to strongly disagree none of them did.

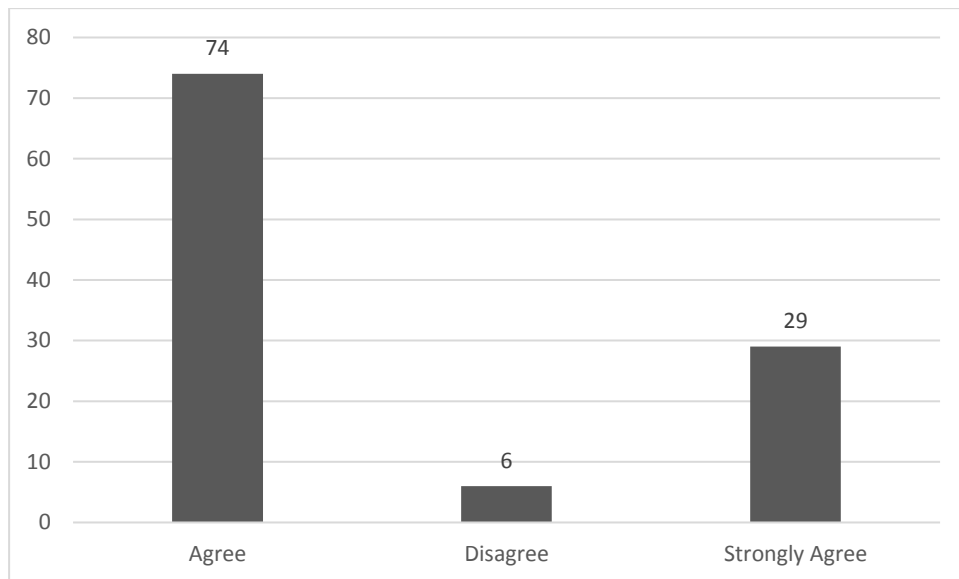


Chart 4.11 website usability influence on customer retention

The last question investigated the perceived influence of website usability on the quality of the online relationship with the seller by asking the respondents if the ease of finding enough relevant information about the products and services on offer improved their trust towards and satisfaction with an online vendor. Majority of respondents, 70 of them agreed with this statement, 37 strongly agreed and only 2 disagreed. Again, even though respondents were given the option to strongly disagree none of them did.

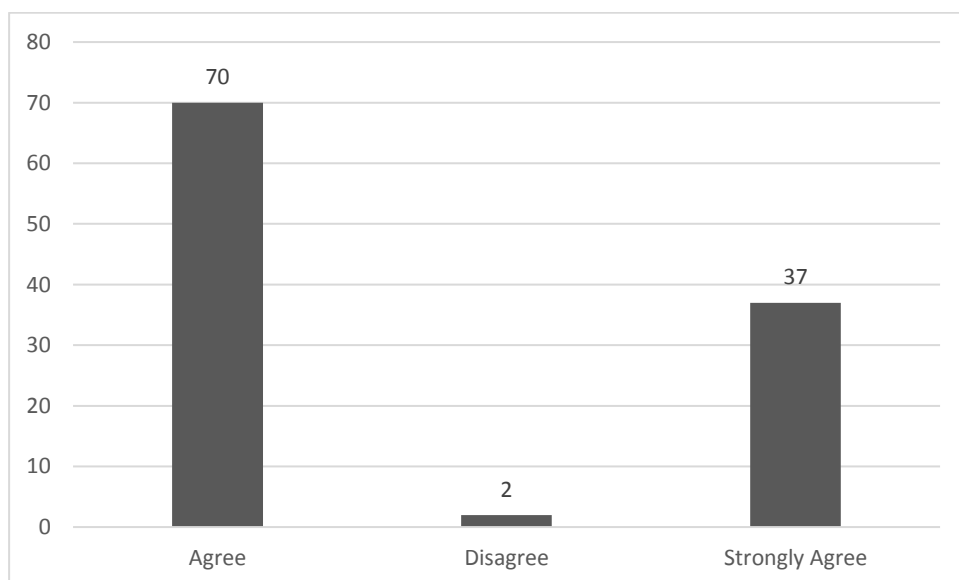


Chart 4.12 website usability influence on online relationship

4.4 Analysis of hypotheses

Since the profile of respondents has been defined and their perception of the influence of the four flow stages on the customer conversion and their perception of the influence of the website usability on the customer retention and quality of an online relationship with the seller has been described we can test our hypotheses.

We will target answers for the influence of website flow design on purchase intention questions, claim that website flow stages were perceived as a factor when deciding to purchase in an online store by online customers and state that all website flow stages influence the customer purchase intention. The answers are allocated numeric values on the scale from 1 to 4, where strongly agree=1 and strongly disagree=4.

The null hypothesis we are trying to disprove is that:

Design of at least one of the website flow stages does not have perceived influence on the conversion rate.

Where mean is equal to 2.5 for at least one of the stages, meaning respondents were unsure if they perceived any influence of these stages on their intention to buy.

$$H_0: \mu = 2.5$$

We look at each of the four flow stages designs and research if it has perceived influence on the intention to buy in an online store, thus increasing conversion rate of the online store. We further divide this hypothesis into four sub-hypotheses, one for each flow stage design.

Hypothesis 1: Website flow design stages of greeting page design, catalogue design, shopping cart design and checkout design all have perceived influence on the conversion rate.

For the main hypothesis to be true all four of the sub-hypotheses have to be true as well. Our hypothesis states that mean value of the answers should be different from the midpoint of 2.5.

$$H_a: \mu \neq 2.5$$

We define the effects of each of the website flow design stages as sub-hypotheses and for each use one-sample t-test to determine the mean value of their answers and the statistical significance of our results. T-test has been chosen despite K-S test showing that our data sets not having normal distribution, due to having large enough population. level of confidence for these tests is 95% and as such difference is statistically significant only if the p-value is equal to or lower than 0.05.

$$C = 0.95$$

$$p \leq 0.05$$

Sub-Hypothesis 1.1: Greeting page design has perceived influence on the conversion rate.

In the first sub-hypothesis we tested if the influence of the greeting page stage design on purchase intention was perceived by the respondents.

T-Test

One-Sample Statistics						
	N	Mean	Std. Deviation	Std. Error Mean		
S1	140	2.100000000	.7025134731	.0593732251		

One-Sample Test						
Test Value = 2.5						
	t	df	P_value	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
S1	-6.737	139	.000	-.400000000	-.517391418	-.282608582

Figure 4.1 Greeting page test

We can see that the mean of the answers is 2.1 and as such is not equal to our tested value of 2.5.

$$\mu = 2.1$$

$$2,1 \neq 2.5$$

$$\mu \neq 2.5$$

We can also see that the p-value is equal to 0 and as such is lower than 0.05, making this test statistically significant.

$$P - value = 0 < 0.05$$

Sub-Hypothesis 1.2: Catalogue design has perceived influence on the conversion rate.

In the second sub-hypothesis we tested if the influence of the catalogue stage design on purchase intention was perceived by the respondents.

T-Test

One-Sample Statistics						
	N	Mean	Std. Deviation	Std. Error Mean		
S2	140	2.164285714	.7356367015	.0621726488		

One-Sample Test						
Test Value = 2.5						
	t	df	P_value	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
S2	-5.400	139	.000	-.335714286	-.458640662	-.212787909

Figure 4.2 Catalogue test

We can see that the mean of the answers is approximately 2.16 and as such is not equal to our tested value of 2.5.

$$\mu = 2.164$$

$$2,164 \neq 2.5$$

$$\mu \neq 2.5$$

We can also see that the p-value is equal to 0 and as such is lower than 0.05, making this test statistically significant.

$$P - value = 0 < 0.05$$

Sub-Hypothesis 1.3: Shopping cart design has perceived influence on the conversion rate.

In the third sub-hypothesis we tested if the influence of the shopping cart stage design on purchase intention was perceived by the respondents.

T-Test

One-Sample Statistics					
	N	Mean	Std. Deviation	Std. Error Mean	
S3	140	2.500000000	.7911379656	.0668633618	

One-Sample Test					
			Test Value = 2.5	95% Confidence Interval of the Difference	
	t	df	P_value	Mean Difference	
					Lower Upper
S3	.000	139	1.000	.0000000000	-.132200749 .1322007495

Figure 4.3 Shopping cart test

We can see that the mean of the answers is approximately 2.5 and as such is equal to our tested value of 2.5.

$$\mu = 2.5$$

$$2,5 = 2.5$$

We can also see that the p-value is equal to 1 and as such is higher than 0.05, and in this case the answers were equally distributed not in favour of any side.

$$P - value = 1 > 0.05$$

This test shows direct confirmation of the null hypothesis, thus we cannot reject it.

Sub-Hypothesis 1.4: Checkout design has perceived influence on the conversion rate.

In the second sub-hypothesis we tested if the influence of the catalogue stage design on purchase intention was perceived by the respondents.

T-Test

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
S4	140	2.442857143	.7890567046	.0666874631

One-Sample Test						
Test Value = 2.5						
	t	df	P_value	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
S4	-.857	139	.393	-.057142857	-.188995824	.0747101094

Figure 4.4 Checkout test

We can see that the mean of the answers is approximately 2.44 and as such is not equal to our tested value of 2.5.

$$\mu = 2.443$$

$$2.443 \neq 2.5$$

We can also see that the p-value is equal to 0.393 and as such is higher than 0.05, this means that this test is not statistically significant for the purposes of this research which assumes the level of confidence of 95%.

$$P - value = 0.393 > 0.05$$

As the results are not statistically significant, we cannot reject the null hypothesis with 95% level of confidence.

T-Test

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
S1	140	2.100000000	.7025134731	.0593732251
S2	140	2.164285714	.7356367015	.0621726488
S3	140	2.500000000	.7911379656	.0668633618
S4	140	2.442857143	.7890567046	.0666874631

One-Sample Test						
Test Value = 2.5						
	t	df	P_value	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
S1	-6.737	139	.000	-.400000000	-.517391418	-.282608582
S2	-5.400	139	.000	-.335714286	-.458640662	-.212787909
S3	.000	139	1.000	.000000000	-.132200749	.1322007495
S4	-.857	139	.393	-.057142857	-.188995824	.0747101094

Figure 4.5 Four flow design stages test

To summarize, out of our four sub-hypotheses 2 did not fail to reject the null hypothesis with 95% level of confidence and 2 failed to reject the null hypothesis.

As our hypothesis requires all of the sub-hypotheses to reject the null hypothesis, we have failed to reject the null hypothesis and our alternative hypothesis had to be rejected instead, thus we have to conclude that design of at least one of the website flow stages does not have perceived influence on the conversion rate.

Next, we will target answers for the website usability influence on repeated purchase questions, Similarly, to the test of the first hypothesis answers are allocated numeric values on the scale from 1 to 4, where strongly agree=1 and strongly disagree=4.

The null hypothesis we are trying to disprove is that:

Website usability does not have perceived influence on the intention to repurchase.

This would be true if the mean was again equal to 2.5.

$$H_0: \mu = 2.5$$

We claim that website usability was perceived as a factor when deciding to repeatedly shop in a familiar online store by online customers and state that website usability influences the customer repeated purchase intention.

Hypothesis 2: Website usability has perceived influence on customers intention to repurchase and thus customer retention.

Our hypothesis states that mean value of the answers should not be equal to the midpoint of 2.5.

$$H_a: \mu \neq 2.5$$

We again use one-sample t-test to determine the mean value of the answers and the statistical significance of our results. Our level of confidence for these tests is 95% and as such difference is statistically significant only if the p-value is equal to or lower than 0.05.

T-Test

One-Sample Statistics					
	N	Mean	Std. Deviation	Std. Error Mean	
WU-RR	109	1.788990826	.5283341131	.0506052301	

One-Sample Test					
Test Value = 2.5					
	t	df	P_value	Mean Difference	95% Confidence Interval of the Difference
					Lower Upper
WU-RR	-14.050	108	.000	-.711009174	-.811317520 -.610700829

Figure 4.6 Website usability influence on retention rate test

We can see that the mean of the answers is approximately 1.79 and as such is not equal to our tested value of 2.5.

$$\begin{aligned}\mu &= 1.789 \\ 1.789 &\neq 2.5 \\ \mu &\neq 2.5\end{aligned}$$

We can also see that the p-value is equal to 0 and as such is lower than 0.05, making this test statistically significant.

$$P - value = 0 < 0.05$$

This means that we can refuse the null hypothesis, which claims that intention to repurchase is not influenced by website usability with 95% level of confidence.

Lastly, we will target answers for the website usability influence on quality of the online relationship questions, In the same fashion as the tests of the previous two hypotheses answers are allocated numeric values on the scale from 1 to 4, where strongly agree=1 and strongly disagree=4.

The null hypothesis we are trying to disprove is that:

The website usability does not have perceived influence on the quality of the online relationship.

This would be true if the mean was again equal to 2.5.

$$H_0: \mu = 2.5$$

We claim that website usability was perceived as a factor when evaluating the quality of the online relationship with the seller by customers and state that website usability influences the quality of this relationship.

Hypothesis 3: Website usability has perceived influence on the quality of online relationship between the seller and the customer.

Our hypothesis states that mean value of the answers should not be equal to the midpoint of 2.5.

$$H_a: \mu \neq 2.5$$

We once more use one-sample t-test to determine the mean value of the answers and the statistical significance of our results. Our level of confidence for these tests is 95% and as such difference is statistically significant only if the p-value is equal to or lower than 0.05.

T-Test

One-Sample Statistics					
	N	Mean	Std. Deviation	Std. Error Mean	
WU-QoOR	109	1.678899083	.5070016061	.0485619465	

One-Sample Test					
Test Value = 2.5					
	t	df	P_value	Mean Difference	95% Confidence Interval of the Difference
					Lower Upper
WU-QoOR	-16.908	108	.000	-.821100917	-.917359120 -.724842715

Figure 4.7 Website usability influence on quality of an online relationship test

We can see that the mean of the answers is approximately 1.68 and as such is not equal to our tested value of 2.5.

$$\mu = 1.679$$

$$1,679 \neq 2.5$$

$$\mu \neq 2.5$$

We can also see that the p-value is equal to 0 and as such is lower than 0.05, making this test statistically significant.

$$P - value = 0 < 0.05$$

This result means that we can refuse the null hypothesis, which claims that quality of the online relationship is not positively influenced by the website usability with 95% level of confidence.

5 CONCLUSION

The aim of this dissertation was to explore some of possible approaches and strategies available when designing a website for an online store, evaluate them based on previous research and test if this research still holds true even today. This has been done through fairly extensive secondary and primary research. Which helped us with collecting a large number of information with the 4 main objectives set by us in advance in the first chapter in mind. This chapter will summarize the findings related to respective objectives.

Objective 1 - Explore what are the main challenges when designing an online store

This objective was looked into mainly in the online store design part of the literature review. Specifically, in the website design part. We have found out that the main challenge faced by online stores is a very low conversion rate (Grewal et al., 2004, Hoffman and Novak, 2000, Sohrabi et al., 2012). This can even be as low as 2% to 4% (Holzwarth et al., 2006, Sohrabi et al., 2012, Internet Retailer, 2013) as stated later when discussing conversion rate in depth. This tells us that websites should focus their design very much on convincing as many visitors to purchase on our website, or at least consider returning for a purchase later.

Objective 2 - Explore what are the factors that indicate a commercially successful website

This objective was extensively explored in the Performance indicators, marketing led site design, customer conversion rate and customer retention rate parts of the literature review chapter. Website performance factors were described and divided into various groups. Firstly, we have the leading and lagging performance indicator division. The former are performance indicators that can be used in creation of proactive strategies, the latter is more frequent and can be used operatively to troubleshoot possible weaknesses of our website.

Next, we have narrowed the field and looked into performance indicators associated with marketing-led website design these are:

Customer acquisition: Number of people interested in the store

Customer conversion: Number of people that purchased in the store

Customer retention: Number of people that decided to repeatedly purchase in the store

Branding: How is our brand perceived by targeted audience (Chaffey et al., 2016)

We next decided to focus on two of the aforementioned factors these being the customer conversion rate and customer retention rate. It can be concluded from the dramatic growth in online use and the historically low conversion rates, that any increase in the conversion rate could have a major impact on the profitability of a company (Montgomery et al., 2004, Silverstein et al., 2001).

Similarly, regarding repeated purchases, we have concluded, that only about 1 percent of online visitors return (Gupta et al., 2007). Therefore, delving into online customer repurchase behaviour drivers is very important (Qureshi et al., 2009).

Objective 3 - Explore strategies that can improve website performance

The third objective was extensively explored in the proposed approach for better conversion rate and proposed approach for better customer retention. We explored two possible approaches focused on customer conversion and customer retention, which were both backed by previous studies.

First, we explored the hypothesis that website flow positively influences customer conversion. We explored flow as a pleasurable cognitive holistic feeling that people have when they are fully involved in something (Csikszentmihalyi, 1977). From the literature we have concluded that E-commerce transactions require consumers to progress sequentially through various pages of the website (McDowell et al., 2016). We have also explored the hypothesis from McDowell et al. (2016) that website features that enhance purchase intention in all of these

stages are associated with the experience of flow and thus with higher conversion rate. These stages are: Visitor greeting stage, catalogue stage, shopping cart stage and checkout stage. It was found out by McDowell et al. (2016) that all of them influence the customer conversion rate to some degree. Although in the case of some, catalogue stage, the influence was negative.

Secondly, we looked into the claim that website usability is positively related to online relationship quality and in turn to customers online repurchase intention. Zhang et al. (2011) claimed that two categories of factors are generally considered precedents of relationship quality: characteristics of the salesperson and behaviour. And that well-designed, highly usable website is the equivalent of a competent salesperson when building an online relationship quality in B2C e-commerce. And in fact, results of his study show that perceived website usability is positively related directly to online relationship quality and in turn to the retention rate.

Objective 4 - Test if previously proposed strategies for increasing the website performance still work today

The fourth and last objective was the main focus of our primary research and its methodology and findings were explored in detail in the corresponding chapters.

In summary we have formed three assumptions based on previous research findings. For these we have then collected primary data and tested them.

Assumption 1: Website flow design stages of greeting page design, catalogue design, shopping cart design and checkout design all have perceived influence on the conversion rate.

Based on the test results this assumption had to be rejected as two of the four stages did not show the required results. These were:

The shopping cart stage - which was completely rejected, this goes contrary to the research conducted by McDowell et al. (2016), who claims that the conversion rate is positively associated with most features in the Shopping Cart phase. This suggests that shopping cart stage design is not as influential on conversion rate in 2019 as it was in 2016.

The checkout stage – which did not provide a result of a required statistically significant difference between it and the scale midpoint. This also goes contrary to the research conducted by McDowell et al. (2016), whose tests resulted in two strong positive associations between the independent variables of Human Contact Information, Instant Pricing and Conversion Rate. This could in a similar fashion to the previous design suggest that the checkout stage design is not as influential on conversion rate in 2019 as it was in 2016.

The tests of the other two stages suggested that the greeting page design and catalogue design could still have certain influence on customer conversion rate, however further research should be conducted.

Assumption 2: Website usability has perceived influence on customers intention to repurchase and thus customer retention.

Based on the test results this assumption can be considered plausible. This would confirm the research conducted by Zhang et al. (2011). And could suggest that focusing on website usability to improve your conversion rate is a valid strategy when designing a website for an online store.

Assumption 3: Website usability has perceived influence on the quality of online relationship between the seller and the customer.

Based on the test results this assumption can be considered plausible as well. This would also confirm the research conducted by Zhang et al. (2011). And could suggest that focusing on

website usability to improve the quality of the online relationship between the vendor and the customer is also a valid strategy when designing a website for an online store.

Limitations

The results of this thesis should be taken with a healthy dose of scepticism especially the results of the objective 4, where primary data were tested. As the author of this dissertation is fairly inexperienced with primary data testing, be it qualitative or quantitative, and even though great emphasis was put on conducting the research as correctly as possible there is a large possibility that the results presented were achieved due to imperfect questionnaire design or mismanaged statistical analysis. Also, the population of the primary data was not nearly as large as in the research that was previously conducted and tested in this paper.

Recommendations

When designing a website there are some challenges that are apparently really important to address, from the analysis of the secondary data we concluded that these are low customer conversion rate and low customer retention rate, these can consequently be used as performance indicators when testing new design approaches and strategies. Previous research recommends focusing on four flow stages when trying to increase your customer conversion rate and on website usability if you want to increase your customer retention rate. Focusing on website usability as suggested by our research should be working fairly well as a strategy to increase customer retention as of March 2019. Not all four flow stages designs have been confirmed to be useful for increasing the conversion rate however, based on our research work as well as presented in the researched literature and only some could be considered for this strategy as of March 2019. Even if our primary research rejected the four flow stages hypothesis however, there have been plenty of indicators that further research in the future might be worthwhile.

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V Ostravě dne

10. 7. 2019

Jiří


jméno a příjmení studenta